

Institute and Faculty of Actuaries (IFoA) – Social Care Policy Briefing

Background

On Tuesday 7 September, the Prime Minister announced reforms to social care, including a new Health and Social Care Levy to help increase the long-term funding settlement. These reforms had been widely trailed in the press, and represent the first substantial policy changes in the sector since the Dilnot Commission published its [report](#) on reforming social care in July 2011. They will be implemented using legislation already in place under the 2014 Care Act.

This briefing summarises the major reforms announced, alongside reaction from the IFoA and other prominent stakeholders in the social care debate.

About the IFoA

The Institute and Faculty of Actuaries (IFoA) is a royal chartered, not-for-profit, professional body. We represent and regulate over 30,000 actuaries worldwide, and oversee their education at all stages of qualification and development throughout their careers. The IFoA recently published a [report](#) on the ‘Great Risk Transfer’ (the trend towards shifting risks from institutions such as employers and the state to individuals), which outlined our belief that the government must support individuals to manage financial risks, such as those incurred by the need for social care.

Summary of Policy Announcements

In a break with the 2019 Conservative Party Manifesto, the Prime Minister announced that a new Health and Social Care levy of 1.25% will be introduced. Initially, the tax will begin as a one year rise in National Insurance contributions in April 2022, to be paid by both employees and businesses. However, in 2023 the levy will become separate tax on earned income (calculated in the same way as National Insurance), which will appear in a standalone way on pay slips.

In addition, the taxable rate from income received via dividends will also increase by 1.25 percentage points, in order to help alleviate concerns that the funding burden will mostly be shouldered by lower income individuals. In accepting the manifesto breach, the Prime Minister stated the tax rise was necessary to help the NHS catch-up on missed procedures due to the COVID-19 pandemic. He also noted that it would help the NHS provide care to 30% more elective patients in 2024/25 than before the pandemic. To this end, he noted that the tax rise would raise £36 billion for frontline NHS services over the next three years, when the funding would then be ring-fenced to help fund social care.

From October 2023, a lifetime cap of £86,000 will be introduced for social care costs. In addition, people with assets worth less than £20,000 will have their costs fully paid for by the state, while those with assets between £20,000 and £100,000 will receive care cost subsidies. Furthermore, a white paper on the integration of health and social care will be published in due course.

Stakeholder Reaction

IFoA (Louise Pryor, President)

“Last week, the IFoA called on the Government to produce a clear strategy for tackling the funding crisis in both the short and the long term, in a way that is sustainable and intergenerationally fair. The additional funding announced today through a 1.25% increase to both National Insurance contributions and share dividends from April 2022 will provide much-needed support to a sector long

in crisis. However, it raises questions about whether the burden is being shared fairly across the generations.”

“The IFoA is committed to leveraging actuarial expertise to inform the government’s proposed solution to the social care funding crisis. We will look closely at the detail behind the proposed new levels of the cap on costs and capital floor on assets to understand their impacts on those requiring care and wider society. We will ensure the actuarial voice on these reforms is heard as the Government seeks input from experts in professional bodies and the financial services sector and through the expected White Paper on health and care integration later this year.”

Association of British Insurers (Huw Evans, Director General)

“The insurance and long-term savings sector [welcomes](#) the UK Government’s clear determination to provide certainty and clarity to the system of social care funding in England. Under the current system, people don’t always plan for future care costs, causing financial hardship for families at a time when they are already distressed about needing care for a loved one or themselves. The simpler and clearer the rules about what the state will provide, the easier it will be for insurers to respond to and support customers with what is not covered. Today’s announcement is a welcome step forward.”

The King’s Fund (Richard Murray, Chief Executive)

“Overall, we [welcome](#) the historic levels of investment in both the NHS and social care announced today and the fact the government has finally grasped the nettle of social care reform. However, a large dose of realism is needed in terms of what this money will be able to deliver and how fast.”

“Credit is due for acting where previous governments have failed to deliver on social care reform. But while we welcome the proposed reforms there has to be pragmatism about what they can deliver. Social care will see only £5.4 billion over three years, with no guarantees of sustainable funding beyond this. The cap on care costs – which will consume nearly half the funding – will protect people from the very high costs of long stays in residential care, but setting it at £86,000 means it will help relatively few people. The changes to the means test are very welcome and will bring thousands more people into the publicly funded system. However, there is a real risk this will leave inadequate funding to bring about meaningful change in areas such as workforce, access and quality. While this plan certainly does not ‘fix’ adult social care, as the PM had promised, it is the most significant step forward for a generation.”

Nuffield Trust (Natasha Curry, Deputy Director of Policy)

“[After decades of dangerous delay](#), the broken social care sector will be feeling short-changed and bitterly disappointed at the proposed funding levels and timing of reform today. The introduction of a cap of £86k and making it easier for people to access financial support from the state is significant and will be a relief to tens of thousands of people. It means more people will potentially qualify for the help they need and have a clearer idea of the maximum cost associated with the care they need.”

“But the cap and floor alone do not amount to a proper long-term plan embedded in a vision to improve services that enable people who draw on care and support to live the life they want to live. While there are nods to wider change within a forthcoming white paper, it is only with an adequate long-term investment that this fragile sector can be put on a sustainable footing.”

Institute for Public Policy Research (Chris Thomas, Senior Research Fellow)

“[The new cap and floor](#) is a clear improvement on the current system. While it still doesn’t put social care on the same basis as the NHS, it will save the family homes of many and help tackle unmet need. Parliament should support it on this basis – as a first step on a long reform journey.

“Today’s announcement has little detail on how the government plans to ensure social care provides people significantly enhanced lives. Delivering quality and personalised care remain huge challenges for our care system, as does a fair deal for social care workers - and there is no clear mechanism here for the prime minister to meet his commitment to ensuring 'dignity' for all.”

Skills for Care (Oonagh Smyth, Chief Executive)

“The Government’s announcement today recognises the need to better value and develop the 1.5 million skilled and motivated people working in social care who support people in our communities and families every day to live the lives they choose. We [welcome](#) the investment of an initial £500m over 3 years in the skills and learning of social care staff who deserve to be developed and have their skills recognised, investment in supporting staff wellbeing and in the continuing professional development for the regulated workforce such as nurses in social care who play such an important role.”

The Health Foundation (Anita Charlesworth, Director of Research)

“The [introduction](#) of a cap on social care costs is, at long last, a positive and bold step forward. It will provide people with greater certainty about the future costs they need to plan for and help reduce the care cost lottery. But the funding announced today falls well short of what is needed to stabilise the current system and deliver the comprehensive reform that is so desperately needed. The proposals are less generous than those legislated for in the 2014 Care Act.”

Institute for Fiscal Studies (Paul Johnson, Director)

“Today’s [announcements](#) include major long-term social care reforms and specific medium-term funding increases for adult social care services. How funding for social care will evolve in the next few years will also depend on the wider local government funding environment. While the precise path for spending – and hence for the availability and quality of care – is unclear, it is clear that the extra funding will not be sufficient to reverse the cuts in the numbers receiving care seen during the 2010s. Thus, while more people will become entitled to financial support as a result of the reforms planned, many people with care needs not considered severe enough will continue to miss out.”

Local Government Association (Councilor James Jamieson, Chair)

“We [recognise](#) that protecting people from ‘catastrophic care costs’ and having to sell their home to pay for care is a government commitment. It is an important first step toward changing the way social care is funded and will help to reduce the burden of costs on people.

“It is good that the Government recognises that this alone is not enough to give the nation the social care system it wants and needs and the further announcements around the care workforce, Disabled Facilities Grant and supported housing are helpful. However, there are a range of additional crucial issues which need to be addressed if we are to deliver a care and support system that is fit for the future. The promise of a new adult social care white paper – developed with councils, people who draw on social care and other partners – is positive, but will need to be backed by adequate investment.”